

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



WS-01025A
Ajo Improvement Company - Water Division
PO Drawer 9
Ajo, AZ 85321

RECEIVED

APR 25 2006

AZ CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
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FOR COMMISSION USE

ANN04	05
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entered
4-28-06
RF

COMPANY INFORMATION

Company Name (Business Name) AJO IMPROVEMENT COMPANY

Mailing Address PO Drawer 9
(Street)

Ajo AZ 85321
(City) (State) (Zip)

(520) 387-7632 (520) 387-7627
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address vhall@phelpsdodge.com

Local Office Mailing Address same as above
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Bill Rech President
(Name) (Title)

One North Central Avenue Phoenix AZ 85004
(Street) (City) (State) (Zip)

(602)-366-8100 (602) 366-7135
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: Raymond T. Romero
(Name)

PO Drawer 9 Ajo AZ 85321
(Street) (City) (State) (Zip)

(520) 387-7451 (520) 387-7627
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: C. T. CORP
(Name)

3225 NORTH CENTRAL AVENUE PHOENIX AZ 85004
(Street) (City) (State) (Zip)

(602) 277-4792 _____
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: S. David Colton
(Name)

ONE NORTH CENTRAL AVENUE PHOENIX AZ 85004
(Street) (City) (State) (Zip)

(602) 366-8143 (602) 366-6321 _____
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input checked="" type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment			
320	Water Treatment Equipment	671,114	636,303	34,811
330	Distribution Reservoirs and Standpipes	194,594	182,065	12,529
331	Transmission and Distribution Mains	487,756	482,783	4,973
333	Services	73,312	72,601	711
334	Meters and Meter Installations	26,445	23,172	3,273
335	Hydrants	23,955	22,176	1,779
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,348	1,348	-0-
341	Transportation Equipment	43,054	43,054	-0-
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	1,521,578	1,463,502	58,076

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs			
311	Pumping Equipment			
320	Water Treatment Equipment	671,114	.5282	-0-
330	Distribution Reservoirs and Standpipes	194,594	.7045	1,371
331	Transmission and Distribution Mains	487,756	.6673	3,255
333	Services	73,312	.0641	47
334	Meters and Meter Installations	26,445	1.2327	326
335	Hydrants	23,955	.1545	37
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,348	16.6944	225
341	Transportation Equipment	43,054	-0-	-0-
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	1,521,578		8,806

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$71,652	\$36,673
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	959,355	29,873
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	51,301	54,929
162	Prepayments	-0-	6,167
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$1,082,308	\$396,490
	FIXED ASSETS		
101	Utility Plant in Service	\$3,680,261	\$3,756,726
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(2,485,283)	(2,534,327)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$1,194,978	\$1,222,399
		68,948	30,000
	TOTAL ASSETS	\$2,346,234	\$2,736,801

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

***All amounts represent three (3) departments: electric, water and sewer**

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$1,932,138	\$3,109,293
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	22,723	30,857
235	Customer Deposits		
236	Accrued Taxes	59,741	76,669
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$2,014,602	\$3,216,819
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$311,963	\$311,963
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ -0-	\$ -0-
	TOTAL LIABILITIES	\$	\$
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$392,000	\$392,000
211	Paid in Capital in Excess of Par Value	3,144,546	3,144,546
215	Retained Earnings	(3,516,878)	(4,328,526)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$19,669	\$ (791,981)
	TOTAL LIABILITIES AND CAPITAL	\$2,346,234	\$2,736,801

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$574,493	\$596,459
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$574,493	\$596,459
	OPERATING EXPENSES		
601	Salaries and Wages	\$94,701	\$137,927
610	Purchased Water	672,403	699,407
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance	5,272	7,062
621	Office Supplies and Expense	10,717	15,406
630	Outside Services	121,214	111,704
635	Water Testing		
641	Rents	1,200	1,984
650	Transportation Expenses	237	466
657	Insurance – General Liability	(5,173)	5,632
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	55,701	101,951
403	Depreciation Expense	10,457	8,806
408	Taxes Other Than Income	6,102	2,192
408.11	Property Taxes	44,405	35,721
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$1,017,236	\$1,128,258
	OPERATING INCOME/(LOSS)	\$	\$
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	10,400	10,400
	TOTAL OTHER INCOME/(EXPENSE)	\$ (10,400)	\$ (10,400)
	NET INCOME/(LOSS)	\$ (453,143)	\$ (542,199)

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	10-10-85			
Source of Loan	Promissory Note			
ACC Decision No.	54709			
Reason for Loan	To fund from Phelps	facilities Dodge.	acquired or to	be acquired
Dollar Amount Issued	\$311,963	\$	\$	\$
Amount Outstanding	\$311,963	\$	\$	\$
Date of Maturity	12-31-08			
Interest Rate	10%	%	%	%
Current Year Interest	\$31,200	\$	\$	\$
Current Year Principle	\$ -0-	\$	\$	\$

Meter Deposit Balance at Test Year End \$ -0- _____

Meter Deposits Refunded During the Test Year \$ -0- _____

* Represents all three (3) departments: electric, water and sewer

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
None						

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Phelps Dodge Corporation	1,050	179,888.2

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
N/A		130	-0-

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000	2	N/A	

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Copper/Plastic	2,100/300
3	Cast Iron	1,200
4	Plastic/Steel	900/1,200
5	Cast Iron	7,600
6	Cement ASBE/Plastic	11,300/600
8	Steel/Cast Iron	600/9,500
10	Cement ASBE/Ductile Iron	11,400/13,060
12	Cement ASBE/Ductile Iron	3,300/3,900
TOTAL		66,960

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	1060
3/4	
1	19
1 1/2	1
2	17
Comp. 3	
Turbo 3	7
Comp. 4	
Tubo 4	2
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Three (3) filter vessels using Activated Alumina as a filter media.

STRUCTURES:

None

OTHER:

None

COMPANY NAME – Ajo Improvement Company

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	1,107	8,567,900	
FEBRUARY	1,115	7,890,100	
MARCH	1,121	10,707,300	
APRIL	1,116	13,264,200	
MAY	1,107	14,555,800	
JUNE	1,118	20,188,800	
JULY	1,112	18,760,000	
AUGUST	1,120	15,342,900	
SEPTEMBER	1,114	15,127,400	
OCTOBER	1,117	13,116,000	
NOVEMBER	1,122	13,876,000	
DECEMBER	1,127	11,867,700	
TOTAL		163,264,100	

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☐ Yes

☒ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes

☒ No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. _____ mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME – Ajo Improvement Company

YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was: **\$ 35,065**

Attach to this annual report proof (e.g. property tax bills stamped “paid in full” or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED

APR 25 2006

AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

**I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME)	Pima
NAME (OWNER OR OFFICIAL) TITLE	William D. Rech
COMPANY NAME	Ajo Improvement Company

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

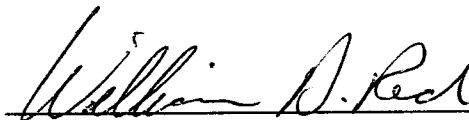
MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



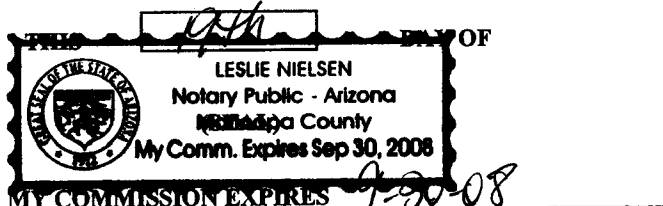
SIGNATURE OF OWNER OR OFFICIAL

602-366-8028

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



COUNTY NAME
Maricopa

MONTH April 2006

SIGNATURE OF NOTARY PUBLIC

COMPANY NAME - Ajo Improvement Company

YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>Ajo Improvement Company consolidated with</u>
Estimated or Actual Federal Tax Liability	<u>its parent company – Phelps Dodge Corporation</u>

State Taxable Income Reported	<u>Same as above</u>
Estimated or Actual State Tax Liability	

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>N/A</u>
Amount of Gross-Up Tax Collected	<u>N/A</u>
Total Grossed-Up Contributions/Advances	<u>N/A</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

4/19/06

DATE

William D. Rech

President

PRINTED NAME

TITLE

RECEIVED

APR 25 2006

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
Pima
NAME (OWNER OR OFFICIAL) TITLE
William D. Rech
COMPANY NAME
Ajo Improvement Company

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 618,473

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 22,014
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

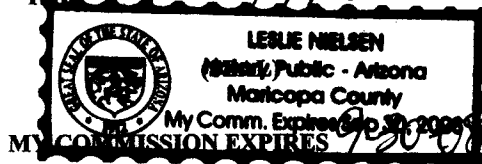
William D. Rech
SIGNATURE OF OWNER OR OFFICIAL
602-366-8028
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 19th DAY OF

COUNTY NAME
Maricopa
MONTH April YEAR 2006



Leslie Nielsen
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

APR 25 2006

AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	PIMA	
NAME (OWNER OR OFFICIAL)	WILLIAM D RECH	TITLE PRESIDENT
COMPANY NAME	AJO IMPROVEMENT COMPANY	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT


IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 300,890

**(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 15,956
IN SALES TAXES BILLED, OR COLLECTED)**

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL
602-366-8028
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS


19th

DAY OF

NOTARY PUBLIC NAME	Leslie Nielsen	
COUNTY NAME	Maricopa	
MONTH	April	.2006

(SEAL)

MY COMMISSION EXPIRES 9-30-08

X 
SIGNATURE OF NOTARY PUBLIC

